



Assembly Member **ED HERNANDEZ, O.D.**
News Release

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Assemblymember Hernandez Advances Bill to Fight Corruption in Pension Systems

Sacramento - Assemblymember Ed Hernandez, O.D. (D-West Covina) saw his legislation successfully pass out of the Senate today that would implement new restrictions and stringent reporting requirements governing the use of middlemen to secure business with California's public pension systems.

"We have already seen enormous damage done to peoples' confidence in our public pension systems because of the actions of a few unscrupulous placement agents" said Hernandez, "it is time for California to protect people from the worst abusers of this practice. Any placement agent acting in good faith should have no problem complying."

Hernandez' bill, AB 1584 which passed the Senate 37-0, places strict new reporting requirements on placement agents' activities, severely limits the ability of pension fund board members, supervisors and other staff from leaving their positions to act as placement agents in the future, and creates penalties for those who violate the new policies. The bill, which is coauthored by Senator Lou Correa (D-Santa Ana), will return to the Assembly for a final vote on the latest amendments.

California State Treasurer Bill Lockyer and California State Controller John Chiang, both of whom have been sponsors of the bill since its inception earlier this year in the Assembly, were happy to see the legislation moving forward.

"AB 1584 strengthens public pension funds and benefits taxpayers, workers and retirees," said State Treasurer Bill Lockyer. "It provides needed disclosure and transparency, and closes a gaping loophole in revolving-door laws. The result will be better protection from conflicts of interest, unjust enrichment and improper political influence."

"The lack of transparency and ethical standards governing influence peddlers was an invitation for corruption. AB 1584 ensures that public pension funds do not become pay-to-play ATMs for the unscrupulous." added State Controller John Chiang.

A nationwide investigation is already underway stemming from an alleged "pay to play" scheme involving placement agents trying to gain influence over New York State's pension fund. Hernandez' legislation would seek to prevent similar incidents in California. Although the state's public pension board of directors, CalPERS, recently adopted policies requiring the disclosure of fees and payments by placement agents doing business with their board, Hernandez' bill goes further by extending requirements to all public retirement systems in California. It will also require the disclosure of any campaign contributions made by placement agents to elected members of the public retirement boards.

"If we want to keep safe the retirement funds of our working men and women, then we identify those who try to wield influence over the funds and hold responsible those entrusted with governing the funds" added Hernandez, "This bill is about transparency and accountability, plain and simple."

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